Newspapers by ancestry
https://www.newspapers.com/image/425442157/

Downloaded on Feb 7, 2026

HOLDRs good way to play sectors

But it's better to accumulate position over time

TECH STOCKS LARRY MacDONALD

You might have read about the genome revolution and agree with the experts who say it will make the biotech sector as big as the Internet.

You would like to invest in this and other exciting sector trends, but do not have the time or inclination to study individual companies. Or do you have the funds to buy a sufficiently diversified group of stocks.

Do you then look for mutual funds specializing in the sector of interest? Not necessarily. There is an interesting new alternative called HOLDRs (stands for Holding Company Depositary Receipts), which are securities that give investors ownership in a basket of 20 stocks from specific sectors of the economy.

Merrill Lynch began developing them just two years ago and so far has set up HOLDRs in nine technology sectors, including semiconductors, the Internet, and telecommunications. Details of the underlying stocks and their weightings are available at www.amex.com, the Web site of the American Stock Exchange.

HOLDRs are attracting a lot of interest. Back in March, they had over $12 billion U.S. in assets and daily trading volumes of more than one million.

One advantage of HOLDRs over mutual funds is that they can be traded during the day, bought on margin, and sold short (even on a downtick). And their costs are lower. If they are purchased at the initial offering, the commission is 2 per cent. If they are purchased afterward on the American Stock Exchange through a discount broker, the commission can be less than 0.5 per cent. There is a quarterly custody fee of $2 U.S. per 100 shares.

HOLDRs can be purchased only in round lots of 100 shares

The stocks are selected mainly by market capitalization, so the basket will usually contain the largest companies from the sector. Once selected, the stocks are weighted by their market capitalization (up to a limit of 20 per cent of the total). There are no portfolio managers and discretionary changes, which makes a HOLDR somewhat similar to index mutual funds.

The HOLDR basket, however, evolves differently. If a company drops out of the basket because of a merger or bankruptcy, it is not replaced. And if a stock soars in value, its weighting could dominate because there are no caps on weights after the basket is up and running.

Another difference is that HOLDRs can be purchased only in round lots of 100 shares. This could make HOLDRs too expensive for some small investors. The cheapest of the nine technology HOLDRs as of the end of July was the B2B HOLDR; its shares were trading near $40, which means at least $4,000 U.S. would be needed to invest.

CAN BE EXCHANGED

HOLDR shares can be exchanged for the underlying company shares at a cost of $10 U.S. per 100 shares. This unique feature gives investors flexibility in tax planning. By converting the HOLDR shares to company shares, an investor can choose when to lock in profits on the winners or to take losses on the losers. This exchangeability feature also allows the investor to assume control of the composition and weighting of the basket in the event it diverges too far from his or her preferences.

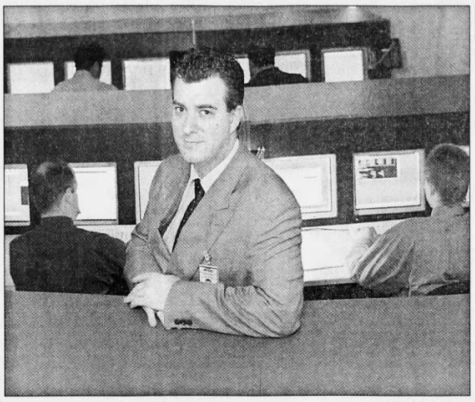
Many HOLDRs are showing losses since inception. The worst performer, launched just when the mania for technology stocks was at its peak earlier this year, is the business-to-business (B2B) HOLDR, down by more than 50 per cent. The biotech HOLDR, which started a few months before the peak, is the best performer with a gain of 65 per cent.

For true believers in the potential of certain sectors, these dips might be inviting opportunities to buy. But the declines in many HOLDRs could deepen farther as the North American economy knuckles under the Federal Reserve's tight monetary policy.

So rather than place a full bet now, a good policy might be to accumulate a position over time.

On balance, HOLDRs appear to be better than mutual funds as a way to play sector trends, albeit with a few caveats.

Larry MacDonald is an Ottawa-based investment columnist and author.



MARIE-FRANCE COALLIER, GAZETTE

Jitec chief executive Benoit Laliberté says deal will lead to about 200 new jobs by the end of the year.

Jitec on launch pad

Company to provide Net service access to hotel guests

DON MACDONALD
The Gazette

A $105-million contract to supply network computer terminals will produce an explosive increase in revenues at **Jitec Inc.** over the next 12 months.

The Nuns' Island company announced yesterday it has signed a two-year deal with **Canada Payphone Corp.** to install 45,000 terminals in major Canadian hotels.

STRIPPED-DOWN

The terminals are stripped down low-cost computers without such items as hard disks and CD-ROM drives.

They will be installed in hotel rooms, business centres and conference rooms to give business travelers access to computing and Internet services.

Jitec leases the terminals along with the use of Windows-based software for a $125 installation fee and $40 a month. The system provides computer services to business users including high-speed Internet and E-mail access.

Jitec chief executive Benoit Laliberté said the Canada Payphone deal will lead to about 200 new jobs by the end of the year and will bring Jitec's revenues to more than $60 million in the next 12 months. Last year, Jitec recorded about $5 million in revenues.

"The transaction positions Jitec in a very promising vertical market," Laliberté said.

"Canada Payphone and AT&T saw an opportunity and worked with us to add to their line of hospitality products."

Canada Payphone of Burnaby B.C., is 20-per-cent owned by **AT&T Canada.** The company installs AT&T payphones, network terminals and interactive Internet kiosks in public spaces.

Paul Dumas, the company's chief financial officer, said the Jitec terminals will allow Canada Payphone to provide network computing in hotel rooms and conference halls while delivering advertising and other content over the terminals.

BIGGER CLIENT BASE

"We want to be capable of delivering more content and accessing more clients," Dumas said.

Last month, Jitec completed a reverse takeover of a Montreal Exchange listed mining company. Canada Payphone is listed on the Canadian Venture Exchange.

Eye surgery profits dim

Competition trimming outlook for popular laser procedure

MADHAVI ACHARYA
Canadian Press

TORONTO – The laser eye surgery business is booming, enticing hundreds of thousands of customers a year with promises of clear vision.

But the profit picture for these companies is blurry as they compete in an increasingly crowded market.

This might explain why their stock prices have dropped sharply – although reports of possible risks in the surgery aren't helping.

It might be some time before the earnings outlook for the industry is 20/20, analysts say.

The corrective procedure, billed as a ticket to freedom from eyeglasses and contact lenses, is performed by an ophthalmologist, who uses a laser beam to reshape the cornea. It takes a few minutes, with patients ideally returning to work a few days later.

The surgery has grown in popularity since bursting on the scene in the mid-1990s.

Industry leader **TLC Laser Eye Centers Inc.** of Mississauga, Ont. – the only one of the industry's three major players that has not cut prices recently – performed its 300,000th surgery about three weeks ago.

The company, whose pitchman is golfer Tiger Woods, boasts 55 laser centres in North America and a stock-market value of $558 million.

TLC's sales reached $296.2 million for the year ended May 31, up from $221.8 million the year before. Sales have increased tenfold since 1997.

At the same time, TLC's bottom line has suffered. TLC's net loss for the year was $6.9 million, compared with a loss of $5.5 million the year before.

Clinics dispute a British study that suggests impaired night vision is a common long-term side-effect of laser eye surgery.

Likewise, sales of Vancouver-based rival **Lasik Vision Corp.,** which has 30 centres in North America, ballooned to $32.5 million last year from $6.6 million in 1998.

But Lasik chalked up a net loss for 1999, of $3.3 million, compared with losses of $1.6 million the year before.

The red ink is partly because of the high start-up costs in the industry, but it's also a result of competition.

By one estimate, the industry will spend $460 million on advertising this year while some operators cut prices, which now range from $1,200 to $6,000 for both eyes.

"That changing market environment in the past year has largely been the biggest reason for all the stocks in this particular sector to have taken the nosedive that they have," said analyst Al Kildani of Pacific Growth Equities in San Francisco.

TLC shares, which touched $76.25 on July 9, 1999, have been trading in the $9 to $10 range since April.

Shares of Lasik Vision have shed about 70 per cent of their value in the last year from a 52-week high of $4.85 last summer. They're now trading in the $1 range.

"The question becomes, can they recover?" Kildani asked.

As stock prices tumbled, many analysts who used to follow TLC have simply stopped watching. But some question TLC's decision not to join the price war.

"There's no way a company can just say, 'We're going to charge whatever we want, we don't care what other people charge.' That's just not the way the market works," said one observer who asked not to be named.

Another problem, some say, is that the market for the surgery is not as vast as originally thought.

Where initial projections suggested that anyone who wears glasses or contact lenses would be a potential patient, recent studies indicate ideal customers are at least 21, free of ongoing medical conditions, with stable vision and mild to moderate nearsightedness.

Others point to recent reports from unhappy patients who complain of halo effects and problems with night vision.

Laser clinics dispute a British study by Dr. William Jory of the London Centre of Refractive Surgery that suggests impaired night vision is a common long-term side-effect of laser eye surgery.

The industry argues these problems result from doctor error and obsolete lasers.

Pacific Growth's Kildani doesn't believe reports of side-effects will put a damper on industry sales.

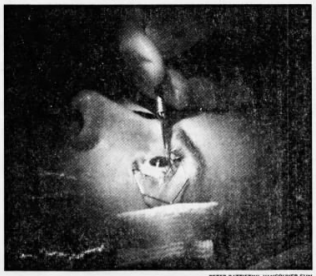
"I don't think we'll ever find an invasive procedure like this that will have zero per cent complications," he said.

Kildani is a firm believer in the long term prospects of the industry.

About 750,000 North Americans are expected to opt for the procedure this year, he said.

While 100-per-cent year-over-year growth rates are a thing of the past, "we're still seeing growth of more than 40 per cent," Kildani said.

"That's going to slow down over time, but it's still going to grow faster than just about any other surgical procedure we're aware of."



PETER BATTISTINI, VANCOUVER SUN

A Vancouver ophthalmologist scrapes surface of an eye before using a laser beam to reshape the cornea.

Telescene gets fresh financing

Cash needed to finish TV series

DON MACDONALD
The Gazette

Troubled **Telescene Film Group Inc.** has succeeded in cobbling together $23 million U.S. in fresh financing.

The cash is required to complete a new 22-episode season of the TV series Sir Arthur Conan Doyle's The Lost World.

The Montreal distributor and production house also announced the departure of Paul Painter from his position as executive vice-president and chief operating officer.

A spokesman for the company would only say that Painter is leaving the company to pursue other business opportunities. He will continue to sit on the board of directors.

Telescene president Robin Spry called the complex financing deal an "important" step for the company that puts it "in a very sound position going forward."

The company said the financing involved three banks as well as a private placement of equity and warrants.

But investors, who have abandoned Telescene shares in droves in recent months, were no kinder yesterday. They drove the price of the B stock down 20 cents to $1.30. The stock hit a 52-week high of $22.75 last September.

The slide has come amid poor financial results and fallout from the scandal surrounding crosstown rival **Cinar Corp.**

Last week, Telescene reported a first-quarter loss of $191,000 compared with a net profit of $970,000 the year before. Revenues were sharply lower – $4.2 million compared with $10.9 million in the first quarter of 1999.

Telescene also said yesterday that Errol Glasser, former managing director of investment banking at Kidder Peabody & Co., has joined the board to advise the company in its search for a replacement for Painter and other matters.

Executive VP goes in Lucent reorganization

ERIK SCHATZKER
Bloomberg News

MURRAY HILL, N.J. – **Lucent Technologies Inc.** said yesterday executive vice-president Pat Russo, who succeeded Carly Fiorina as head of its main business, quit as the company reorganizes to catch up with nimbler rivals.

The decision to leave the world's No. 1 maker of phone equipment was hers, Lucent said. Russo, 48, was given responsibility in October for a business with $25.2 billion in sales to companies that run phone and data networks. Fiorina left to become chief executive of Hewlett-Packard Co.

Lucent CEO Rich McGinn is taking steps to compete better with **Nortel Networks Corp.** after the company said last month that profit in the next two quarters will lag estimates because of delays in new products. Russo, whom Fortune magazine ranked among the 50 most-powerful women in U.S. business the past two years – along with Fiorina – took on sales and product development for service providers after heading up acquisitions for three years.

"She's being made the fall guy," said Alex Henderson, an analyst at Salomon Smith Barney who rates Lucent "neutral."

Russo, a 19-year veteran at Lucent and former parent AT&T Corp., will remain at the company for a "short transition," company spokesman Bill Price said. He wasn't more specific.

Lucent also said Gerry Butters, 57, a senior vice-president and former head of its fibreoptic-equipment unit, retired Aug. 1 and Bill Spivey, 53, a group president, left the company last month. Butters reported to Russo as senior vice-president (strategy, marketing and business development) in the Service Provider Networks group.

Russo's departure is the latest in a series of changes at Lucent since January, when the company gave a profit warning for the first time. Lucent stock has fallen more than 50 per cent from its peak in late December.

Copyright © 2026 Newspapers.com. All Rights Reserved.